

REBUTTAL TESTIMONY OF

JATON R. SMITH

ON BEHALF OF

DOMINION ENERGY SOUTH CAROLINA, INC.

DOCKET NO. 2021-361-G

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is Jatón R. Smith, and my business address is 400 Otarre Parkway, Cayce, South Carolina 29033. I am the Manager - Regulation for Dominion Energy Services, Inc. (“DES”).

Q. ARE YOU THE SAME JATON R. SMITH WHO PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to certain matters raised in the direct testimony of O’Neil O. Morgan, witness for the Office of Regulatory Staff (“ORS”) and in the direct testimony of Jim Grevatt, witness for the South Carolina Coastal Conservation League (“CCL”) and Southern Alliance for Clean Energy (“SACE”). The lack of a response to any of the specific assertions made by either Witness Morgan or Witness Grevatt does not constitute the Company’s agreement to those assertions.

1 **Q. DOES YOUR REBUTTAL TESTIMONY RAISE ANY NEW ISSUES IN**
2 **THIS PROCEEDING?**

3 A. No, it does not. My rebuttal testimony is limited to addressing matters raised
4 by Witness Morgan and Witness Grevatt.

5 **Q. WHAT IS THE POSITION OF DOMINION ENERGY SOUTH CAROLINA,**
6 **INC. (“DESC” OR “COMPANY”) ON THE RECOMMENDATION OF**
7 **WITNESS MORGAN REGARDING THE SHARED SAVINGS INCENTIVE**
8 **(“SSI”)?**

9 A. As fully set forth in the rebuttal testimony of Company witness Shelton,
10 DESC accepts the recommendation of Witness Morgan to set the SSI at the return
11 on equity (“ROE”) that will be established in the Company’s upcoming general rate
12 case proceeding which will be filed no later than April 1, 2023 (“2023 Rate Case”).

13 **Q. HOW DOES DESC PROPOSE TO IMPLEMENT THE SSI TO MATCH**
14 **THE ROE AS DETERMINED IN THE UPCOMING 2023 RATE CASE?**

15 A. Upon approval of the Gas Demand Side Management (“DSM”) Rider and
16 filing deadlines outlined in DESC’s application, DESC will file its initial Gas DSM
17 annual update on July 31, 2023 for the first program year concluding on May 31,
18 2023 (“2023 Annual Update”). In the 2023 Annual Update, DESC proposes to
19 calculate the SSI at 9.9% as proposed in its application and then true up the SSI for
20 the 2023 Annual Update to the ROE set in the 2023 Rate Case. This true up would

1 occur in the annual update to be filed the following year on July 31, 2024 (“2024
2 Annual Update”).

3 For the 2023 Annual Update, as proposed in the schedule in DESC’s
4 application, the ORS will conduct an audit and discovery in August 2023 and
5 September 2023 and issue its report on October 1, 2023. Witness Morgan states
6 that the Public Service Commission of South Carolina’s (“Commission”) review
7 and ruling on the 2023 Annual Update would occur in November 2023; however,
8 per the schedule proposed in DESC’s application, the Commission’s review and
9 ruling will take place in October 2023, and rates will be effective for the first billing
10 cycle in November 2023. Witness Morgan states that the 2023 Rate Case
11 proceeding should produce an order from the Commission by November 2023. As
12 a result, the ROE for the 2023 Rate Case will not be established by the time DESC
13 prepares its 2023 Annual Update nor by the time the Commission rules on the 2023
14 Annual Update. For this reason, DESC proposes to calculate the SSI at 9.9% for
15 the 2023 Annual Update and then true up the SSI to the ROE as determined in the
16 2023 Rate Case in its 2024 Annual Update.

17 **Q. DO YOU AGREE WITH WITNESS GREVATT THAT NET LOST**
18 **REVENUES WILL EXIST FOR THE LIFE OF THE GAS DSM**
19 **MEASURES?**

20 **A.** Yes, I agree with Witness Grevatt that net lost revenues will exist for the life
21 of the implemented Gas DSM measures, which may be different from the life of the

1 programs. However, Witness Grevatt states that the net lost revenue will only exist
2 until the approved revenue requirement is reset in the Rate Stabilization Act
3 (“RSA”) proceeding. This statement is correct, but only as it relates to the specific
4 RSA test year, which is twelve months ending March 31. Once the revenue
5 requirement is approved for an annual RSA proceeding, the next RSA test year will
6 already be in progress and will include therm savings resulting from the
7 implementation of Gas DSM measures. As such, net lost revenues will be
8 accumulating for the upcoming RSA test year at the time the revenue requirement
9 is approved for the current year’s RSA proceeding. Due to regulatory lag, DESC
10 will continuously experience net lost revenues for the life of the Gas DSM measures.

11 **Q. HOW WILL DESC CAPTURE NET LOST REVENUES IN ITS ANNUAL**
12 **RSA PROCEEDINGS?**

13 A. DESC will naturally capture the amount of net lost revenues for each RSA
14 test year as a component of the approved revenue requirement. Due to
15 implementation of Gas DSM programs, DESC will experience lower therm sales
16 which will result in lower margin revenue. When considering net lost revenues on
17 a standalone basis, the lower margin revenue from lower therm sales will result in a
18 lower earned ROE, which will in turn lead to an increase in the revenue requirement
19 for the annual RSA proceeding. The billing determinants, or actual therm sales, that
20 are used to calculate the new rates will include lower therms, which will produce a
21 higher rate due to the increase in the revenue requirement. The end result will be a

1 higher rate to recover or capture the net lost revenues realized during the RSA test
2 year. Therefore, DESC will not need to calculate or estimate and later true up the
3 amount of net lost revenue to include as an adjustment in its annual RSA filings as
4 recommended by Witness Grevatt. In other words, there will not need to be any pro
5 forma adjustment for net lost revenues as part of the Company's RSA filing. The
6 actual net lost revenue resulting from actual lower therm sales will inherently be
7 included when rates reset during DESC's annual RSA proceedings. As such, there
8 will be no risk of over-collection as mentioned by Witness Grevatt.

9 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

10 A. Yes, it does.